

University of West Hungary
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**CHANGE MANAGEMENT IN NATIONAL
PRACTICE**

Doctoral (Ph.D.) thesis

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1. Reasoning of the topic, goals, hypotheses

The world has undergone spectacular changes since the second half of the last century. In this new period the frequency of the changes and their impact upon us has increased unbelievably. The changes and the conscious reactions to them must be an organic part of our every-day life. I could learn not only in the world of business but also in the private sphere, what the often used clichés mean: "we live in a fast-moving world", or "only changes are steady", etc. Especially since 2008, as a result of the economic crisis we have been continuously hearing about change and about the need of making changes. Each business segment is affected to a stronger or weaker extent by the necessity of dealing with changes resulting from the crisis. The non-profit sector and the state administration are no exceptions in this case either.

In my doctoral thesis I am exploring, how consciously do the home enterprises deal with the changes, which affect their companies. My purpose is to highlight the importance of preparation and to align next to the scientific strategies, models and methods their practical realizations, to find the novelties, if there are any. I am looking for an answer for the relation of the home enterprises to different modifications. I am examining, whether there is any unique methodology related to company size, which is followed by companies in the most cases, or they make changes only instinctively, from the gut, or the carrying out of modifications is in no way a conscious act from the part of the company managers.

Based on the processed scientific literature and on my experience, I have made quantitative and qualitative researches. I used an online questionnaire with self-inquiry with 181 home companies and I made in-depth interviews with the managers of 28 enterprises, in order to explore in detail the attitude of the managers, their professionalism in connection with the handling of the effectuated changes. Next to several theoretical models, we can see the methods followed by them and the results and effectiveness of these.

***Hypothesis No.1:** In order to fulfil the desired changes initiated by them, Hungarian businesses follow well-trying, proved change management methodology to a very limited extent. (Speaking of an inland large company, it depends on the eventually involved external consultants, whether there are followed any methods at all. In the case of small businesses the owner-manager tries to solve the problems of the company mostly intuitively and he/ she does not check up, what actually the relevant literature says about it. The medium-sized companies are the ones, where we might speak of substantive preparation, because there the roles owner-manager are already separated, and this factor might give space to the activity of educated managers and might contribute to the use of different methods.*

***Hypothesis No.2:** The involvement of consultants as professionals in respect of changes, is very limited among Hungarian business managers. They are either not consulted in any way, or they are only*

used to confirm the already preconceived ideas of the appointing manager.

Hypothesis No. 3: *It is justified to complete Kotter`s eight-steps change management model with a ninth step, the article about the elaboration of an individual communication and action plan for the staff of the company, which are in key-position from the point of view of the management of change.*

Hypothesis No. 4: *The importance and the appearance of innovation, acquisition and use of knowledge in the organizations makes the result of the changes more successful, too. The innovation as an organizational power has a positive impact upon the successful fulfilment of the planned changes.*

In my doctoral thesis I intend to review the literature before the exploration of my hypotheses. I am summing up, among what kind of change management methodologies, basic change management strategies can the managers choose, and what do the recognized experts in the topic suggest in order to deal with the resistance against changes. I am examining shortly the difference between the real and the “imitated ambition”. I consider this important, because - as the results of researches have confirmed – many initiatives related to changes fail because of the lack of the real commitment of the managers. I am convinced, that many managers cannot make any difference between the real and the imitated ambition, although the recognition and the adequate management of these is the condition for a successful change.

After this I am presenting in detail and I am analyzing the results of the research, examining which of the theoretical possibilities are applied in the home practice. I am dealing in a separate chapter with cases disclosed in course of the twenty-eight in-depth interviews, looking for differences and similarities in the change management strategy of Hungarian enterprises of different sizes and profiles and in their characteristic organizational powers.

2. Content, method and rationale of the research

For the proof or disproof of my hypotheses, I made up a questionnaire containing thirteen topics. At its compilation I applied the eight-step process theory that I found in Paul A. Scipione's book entitled „Practical Marketing Research”.

On basis of the type of the questionnaire and the methodology of the collection of data I relied on the filling of an online self-inquiry questionnaire, but in case of dozen companies I was able to get a more detailed sight due to the questionnaires filled in by myself during personal, in-depth interviews.

Altogether 181 online filled in questionnaires came back to me, which were filled in by managers selected consciously from different industrial sectors and with different company sizes, and partly I got replies to my personal and targeted inquiries per e-mail.

For the checking of my hypotheses I applied basically the deductive method. (The observation of reality with the help of the methods of research, then the acceptance or rejection of my initial hypotheses.) Later I applied the inductive method as well, when in the course of finding connections between the results of the research, I came upon new assumptions and new connections. In all this the SPSS19 analytical program and the expert decision support framework called Doctus were of great help.

The population concerned are the high ranking people of the companies run in Hungary. (Managers of small and medium-sized companies, large enterprises and non-profit organizations.) I intended to work with a consciously selected analytical sample and I tried to rely on my original purpose and expected to receive 150 filled in questionnaires for evaluation. The examination of these questionnaires is the basis of my work.

When formulating the questions I tried to achieve the highest measurable results. At the same time, from the 13 question-topics, only for the question concerning the size of the company can be given a numerical answer. The procession of the results was hindered by this fact. I had to convert the textual answers into numerical ones, everywhere, where it was possible. With all this, on basis of my questionnaire I could only calculate mostly with nominal, ordinal and only one interval measurement level.

3. Research results

I examined the database resulting from the answers, which I received with the help of traditional statistical methods. I made analyses with one or more variables, which presented the results summed up at the following points.

Since 2008 there have been made consciously planned changes at 96% of the examined companies. If not else, the economic crisis definitely compelled a significant number of the companies to think over their activities and processes. 97% of those, who filled the questionnaires, considered, that the changes made were successful or partly successful. Interesting is at the same time, that the bigger part of the replying managers, almost 52% considered the changes only partly successful in their own opinion. I did not give to them any definition previously about the notion of success. Each respondent considered this question according to his own standard of values.

Results related to my first hypothesis:

In course of the management methods applied during the effectuated changes, 10,5% of the enterprises participating in the survey used a well-known change management model found in the literature, too.

In my first hypothesis I claimed, that in course of the management of the changes only a very limited part of the managers of Hungarian companies follow any methodology found in the literature. Also in international comparison the tendency for the use of methods is very

low, so I see my first hypothesis proved, that is the examined company managers do not know and do not apply the change management models found and wide-spread in literature.

Concerning the choice of 60% of the respondents about the available knowledge and experience it is clear, that the managers have firm trust in their knowledge in course of the management of changes.

Results related to my second hypothesis:

According to my second hypothesis, it can be characteristic only first of all for medium-sized companies, which employ between 51-150 people, that consultants are involved in course of managing changes. Large enterprises rather rely on their internal, existing processes and knowledge, whereas in case of micro- and small companies, the manager is at the same time the expert for changes, aside from rare exceptions.

My second hypothesis cannot be proved with the help of statistical methods meaning that there is no connection between the size of enterprises and the tendency of involving professional consultants in matters of effectuating changes. It cannot be stated, that there is one specific company size, in case of which managers involve consultants to a greater extent when managing changes.

Companies drew in external consultants to a higher extent than expected and entrusted the use of a specific model to a consultancy firm. At the same time it turned out, that although formerly the involving of

external consultants was more frequent and it was independent from the size of a company, the involving of external experts is the least important success-factor by now. Consultancy firms do not play a very important role in the success of the planned change. At the beginning of the process, 27% of the companies involve external experts but later on their work in the interest of success is not considered important any more. This fact puts in a quite other perspective the work of consultancy firms and their judgement on the market.

Results related to my third hypothesis:

According to my third hypothesis Kotter's eight-steps change management model can be completed with a ninth step in order to ensure the highest efficiency possible, namely by an individual communication and action plan elaborated for the staff of the company, which are in key-position from the point of view of the management of change.

Only 17% of the respondents considered it as the most important and in total for 71% of the respondents was important or as the most important. It was less important or semi-important for 29% of the respondents.

My hypothesis, referring to the importance of the elaboration of an individual communication and action plan for the staff of the company, which are in key-position from the point of view of the management of change in order to ensure that all affected parties are clear on the expectations against them, was not clearly confirmed.

However I still firmly believe that this step may extremely be important in terms of successful change management. In the frame of the personal interviews, when talking to the managers about this topic I revealed that it was obvious for the managers that they do this task themselves, furthermore they expect the same from the managers reporting to them. So it is really an important aspect.

However the actual practice shows that the managers only assume that they are speaking the same language as their subordinates/colleagues, and they assume that things which are obvious for them mean the same to their leaders too. I also picked up another aspect during the personal interviews: the management often forgets about the need of “interpreting” the required messages to the language used by their subordinates. The additional step is mainly targeted at this, namely that it is important to ensure that the message is conveyed to the affected parties in an understandable format.

In virtue of the above I believe that Kotter’s eight-step change management model requires refinement by taking into consideration the Hungarian peculiarities.

1. figure: Kotter's change management model refinement by taking into consideration the Hungarian peculiarities



Results related to my fourth hypothesis:

In relation to my fourth hypothesis the different presence of the role of expertise and innovation was provable depending on the sizes of the companies. The power of innovation is a lot higher in the case of companies employing 16 to 50 employees compared to the power of expertise. As a consequence it can be stated that for the majority of the

small- and medium-sized enterprises finding the customer needs is more important than their belief in their existing knowledge.

After the elaboration of the quantitative tests with respect to the examined 181 companies “New knowledge is essential” attribute scored the highest, namely the Power of Innovation. This is followed by “Existing knowledge matters” attribute with a much lower score. The Power of cooperation scored the lowest. With respect to the dominant powers present in the organizations namely the dominance of the Power of Innovation seems to play the most important role in terms of the changes considered as successful in the case of the investigated organizations.

4. New and novel scientific results

The various change management models refer fundamentally to the same thing, namely they indicate that the transfer from an existing, static condition to a new condition is impossible without an interim, uncertain period/condition. But companies can prepare themselves well for this period; still the management of this uncertainty and the resulting resistance is still not very developed at the majority of the investigated companies. During the changes there will certainly be lack of confidence and resistance, for which companies should be well prepared in advance. Besides the forceful strategy there are plenty of other tools available to the management, such as arousing and

maintaining the eagerness to act, involvement and effective communication towards employees fulfilling key positions and a supportive management attitude.

It was proved that the Hungarian leaders seem not to follow any models, in many cases not even by the involvement of a consultant company. They mostly rely on their own internal organizational model and the previously accumulated experience-based models during the execution of changes. The knowledge and mainly the application of the models, in most cases, are out of question.

The change management methods known from the respective literature are not used by the investigated companies. (Thesis No. 1.)

The dominance of the power of innovation had a defining result with respect to the success of the planned changes. The “New knowledge is essential” attribute was the most important according to the respondent company leaders.

Organizations, whereby the dominance of the power of innovation is present, seem to be more successful during the management of changes. (Thesis No. 2.)

Most change-related initiatives fail due to the lack of true high management commitment, which has been also proved by the research results. True high level management commitment is the most important success criteria for respondents.

In order to ensure success we need a Hungarian version of Kotter's eight-step change management model. (Thesis No. 3.)

It is clear that in the case of companies, which have gone through successful changes, actual eagerness to act appears, while in the case of partly successful companies, pretence eagerness to act and self-contented calmness seems to characterize the company.

It is required to elaborate management policies, which support the recognition and initiation of true eagerness to act. (Thesis No. 4.)

5. Conclusions, recommendations

It has been proved that the Hungarian leaders seem not to follow any methodology, not even in cases when their companies involve consultant companies. They mostly rely on their own internal organizational model and the previously accumulated experience-based models during the execution of changes. The knowledge and mainly the application of the models, in most cases, are out of question.

It has been proved that depending on the company size the role of consultants refers to two things. The leaders however consider important the involvement of the experts of the changes in a given procedure, but they still fail to consider their work as an actual success factor. Consultancy companies, having change management as part of their portfolio, have to think twice how to approach their clients and

how can they truly demonstrate the significance of their services offered.

Even if we refer to Porter's innovation concept, or to the soft wording by Roger Martin, namely that innovation is when we see the world not in a way it is, but how it could be (Martin, 2010), or to the passion of acquiring new knowledge by Charles Handy (Handy, 1999), correlation can be definitely demonstrated in the case of the investigated companies. In the case of companies, where the power of innovation is dominant, the company leaders considered the completed changes significantly more successful.

The dominance of the power of information had a defining result in terms of the successfulness of planned changes. The "New knowledge is essential" attribute was the most important based on the opinion of the respondent company leaders.

The results may contribute to the understanding of the outcome of the completed changes and they may give explanation to the unsuccessfulness.

6. Publications of the author related to the topic of the thesis

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